

BUSINESS GROUP'S ROLE IN THE MARKETING OF FRESH WATER AQUACULTURE COMMODITY (SURVEY ON TWO VILLAGES IN SUBANG AND PURWAKARTA REGENCIES)

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Abstract

The background of this research is the existence of two villages that possess identical economic leading sector, which is fresh water aquaculture. Despite of their similarity, these villages are also hold a determining difference in the way they practice their business. Fresh water aquaculture farmers in Nagrog Village operate their businesses in togetherness and collectively. Meanwhile, the practices of aquaculture in Mayang Village are still conducted individually. Based on the background above, this research is conducted to analyze roles of business group in fresh water aquaculture cultivation commodities marketing. The method utilized in this research was a descriptive analysis. Objects of this research are Mayang Village in Subang Regency and Nagrog Village in Purwakarta Regency. Based on the phenomenon, researchers are interested to analyze the existence of fresh water aquaculture business group on these villages, the marketing process of fresh water aquaculture commodity, and the role of business group in the marketing of aquaculture commodity in both villages. From this research, the obtained results show that business group has been formed in Nagrog Village; meanwhile in Mayang Village despite the aquaculture business that has been practiced longer than the ones in Nagrog Village, business group is yet to be formed. Compared to Mayang Village, aquaculture commodity marketing is more successful in Nagrog Village. The existence of business group provides a significant role in aquaculture commodity marketing.

Keywords: Aquaculture, business group, commodity marketing, leading sector.

INTRODUCTION

Indonesia possesses huge marine and fisheries potentials (Yusuf and Trondsen 2013), including in fresh water aquaculture. To be sustainable, it is important to have an aquaculture management that uses an ecosystem-based approach (Alaliyat 2014). Aquaculture growth have bring positive impact for the environment (Miller and Atanda 2011; Failler and El Ayoubi 2015). By the statements above, it can be assessed that fresh water aquaculture plays a significant role in sustainable environmental preservation and has become a powerful sector that is also able to lift the peoples' economy as a whole, and particularly the farmers themselves.

Indonesia is endowed by natural resources wealthiness, especially the ones that are able to support aquaculture sector. There are aquaculture practices in several villages in Indonesia is yet to be well managed. This situation is indicated from the existence of individually managed fresh water aquaculture businesses, without involving the role of business groups that are able to accommodate them in an organized way.

The researchers found that there are two villages in Subang and Purwakarta, which are Mayang and Nagrog villages that are dependent on fresh water aquaculture as their main economic sector. The

role of this aquaculture sector has been invaluable for the people of these villages, and also helps their economic.

However, from this research, the researchers revealed that there are several differences in the practice of fresh water aquaculture business in both of these villages. The existence and involvement of business groups are not found in Mayang Village and fresh water aquaculture are still individually conducted. On the contrary, the involvement of business groups in the fresh water aquaculture businesses in Nagrog Village is already conducted.

However, the researchers are still unable to picture the role of business group in fresh water aquaculture sector, especially in its commodity marketing success. Based on the presented phenomenon, researchers are interested to conduct a research titled: "Business group's role in the marketing of Fresh water aquaculture commodity (Survey on Two Villages in Subang and Purwakarta Regency)".

Literature Review

The grand theory used in this research is the organizational behavior and management theory (Martin and Fellenz 2010; Ivancevich *et. al.* 2014). Meanwhile, the utilized application theory is marketing management theory (Kotler and Keller 2016; Stone and Desmond 2007).

In the organizational behavior and management theory, we will understand the importance of groups. This also applies to aquaculture business group, which is the focus of this research. Several aquaculture researches were conducted by many researchers. Even so, the subjects are varies; including researches about of aquaculture integration with traditional farming system (Adugna and Goshu 2010), aquaculture management (Alaliyat 2014), future aquaculture production system (Bostock 2011), challenge in aquaculture development (Failler and El Ayoubi 2015), ethical issues in aquaculture production (Grigorakis 2010), also fisheries and aquaculture advances (Singh 2015).

Nevertheless, researches in the subject of groups' importance connected with aquaculture is rarely done, but there are researches that was conducted, including about the farmers' participation in group marketing (Oladejo *et. al.* 2014), business groups' positive impact towards farmers (Anang *et. al.* 2016), and collective marketing amongst smallholder farmers (Nyikahadzoi *et. al.* 2013).

Other researches that pictures the role of business groups in aquaculture marketing was done in several research focuses, which are about the inefficiency reduction through business groups forming (Galawat and Yabe 2011), and the role of business groups in collective buying (Wang *et. al.* 2013).

Fresh water aquaculture provides a significant contribution towards the economy, and also have become one of the strongest alternative sectors that help fisheries commodities sustainability. It is important to manage fresh water aquaculture business in a proper way. One of the best ways to practice aquaculture business is by the involvement of business groups.

Group can be defined as social entity (Daft 2012), or individuals that interact with each other to accomplish a common goal (Ivancevich *et. al.* 2014). Because of that, group forming will later be able to reduce the market chain actors' dominance that affects the farmers' interests (Nyikahadzoi *et. al.* 2013; Mopidevi and Devi 2015).

The forming of groups can bring several advantages for the farmers, which are farmers' inefficiency level reduction (Galawat and Yabe 2011), positive effect on efficiency level (Anang *et. al.* 2016), easier access to inputs (Ullah *et. al.* 2014), business outcomes enhancement (Martin and Fellenz 2010), and higher quality decisions and solutions in problem solving (Adams and Galanes 2012). These advantages, of course require a decent practice of leadership inside the group (Wang *et. al.* 2013). Similarly, the groups' existence will also bring advantages in fresh water aquaculture business practice.

The role of business groups provides a significant impact towards a profitable collective selling process (Vakoufaris *et. al.* 2007; Oladejo *et. al.* 2014). In the subject of marketing as a societal process for needs provision (Kotler and Keller 2016), a successful marketing is the one that brings profit for organization (Dwyer and Tanner 2009).

Furthermore, the role of business groups in fresh water aquaculture commodity marketing is important to be applied. However, the fresh water aquaculture businesses that are commonly small scales are still individually conducted and not involving business groups.

The farmers with small scales aquaculture businesses are usually establish their business around homesteads, for the reason of effectiveness (Adugna and Goshu 2010). Selling problem in development of coldwater fisheries is produced because the businesses are unapproachable to the market (Singh 2015). Other thing is the existence of numerous big traders as middlemen that practice large amount buying (Kabu and Tira 2015). The existence of middlemen would produce a longer supply chain that can be solved or shortened by the involvement business group. An enhanced business group can later be improved into cooperative that would play a significant role in the supply chain.

An efficient supply chain can produce an on time product delivery system (Jacobs and Chase 2008). Cooperative is usually filled with active farmers as their members (Kay et. al. 2016), and emphasizes its activities on the welfare and equality of its member (Shakeel-UI-Rehman et. al. 2012), including to produce an effective supply chain. This is why business group and cooperative plays an important role in aquaculture business success.

Research Method

To conduct this research, researchers utilized a “descriptive analysis” (Anderson 2009, 274). Data collection was gathered through “group discussion” (Stone and Desmond 2007, 129). A focus group is a small group of people with an interviewer trained to solicit their views about a particular issue or product (Schaper et. al. 2014, 161). The subjects of this research are the fresh water aquaculture farmers in Mayang Village in Subang Regency, and Nagrog Village in Purwakarta Regency that have made fresh water aquaculture as their economic sector, also have been dependent on the sustainability of the sector. The two villages have been chosen due to the visible impact of business group involvement's existence and non-existence against aquaculture business in the villages.

Result and Discussion

The result of this research, furthermore explains various findings in the practice of fresh water aquaculture businesses in Mayang and Nagrog Villages, in relation with the business groups' role in the marketing of fresh water aquaculture commodity. The findings the mentioned research outcome are about the existence of business groups in the two villages, aquaculture commodity marketing, and the important role of the business group in the marketing of fresh water aquaculture commodity in both of these villages.

Aquaculture business group

Aquaculture has become a leading sector in Mayang and Nagrog Village. This sector has provided a large economy drive for the people of both villages. Despite the identical dominant sector, the two villages in fact run their business in a different way.

Researchers found that the farmers in Mayang Village are still individually conducting their business, even though aquaculture has been practiced longer than the farmers in Nagrog Village. On the other hand, the existence and involvement of business group in aquaculture sector have been very significant in Nagrog Village.

Fresh water aquaculture business in Mayang Village experience a slower development than the ones in Nagrog Village, because they practice their businesses based on individually learned production knowledge. The knowledge is inherited by the older generations and stays on the same level for a very long time. Because of that, the farmers are unable to diversify their product.

The problems faced by the farmers, such as fish virus attack occurred on several years ago, are still unsolved because the farmers are individually trying to solve this problem. However, abundant water resources have provided a great advantage for the farmers to sustain fresh water aquaculture business. Aquaculture business disorganizations have also brought difficulties for the government to provide supports in form of regulation that take sides on fresh water aquaculture farmers in Mayang Village.

Fresh water aquaculture practices in Nagrog Village have already involved business groups in the management. Aquaculture problems in production, capital provision, marketing, and knowledge improvement can be solved through various trainings organized by the business groups. By the existence of business groups' role, the farmers are also able to acknowledge their inability to meet the high market's demands because of their production capacity limitation. This means, the presence of business groups have become important for the farmers.

The awareness of business group importance has become a driven factor for the farmers to unite the existed business groups and transform it into cooperative, without erasing the formerly formed groups.

Aquaculture Commodity Marketing

The result of this research reveals that aquaculture commodity marketing in Mayang and Nagrog Villages experience several differences. In general, Nagrog Village owns a better marketing system by the existence and the involvement of business groups in the business. Meanwhile, fresh water aquaculture in Mayang Village is a slow growing business. The village's society in Mayang Village has been practicing this business since a long time ago and has been experiencing its own ups and downs. Similarly, its marketing system experience slow growth since the sector was developed. Fresh water agricultural commodity marketing process is dominated by the existence of several middlemen that weaken the farmers' bargaining position.

Regarding marketing against input market, the fresh water aquaculture farmers in Mayang Village are experiencing problems due to their weak bargaining power because their inability to control price of the procurement. The individually conducted buying process makes it hard for the farmers to achieve a fair production factor input procurement price from the supplier.

With the inexistence of business group in Mayang Village, their market reach is very limited. This invites the role of middlemen in every aspect of marketing including distribution and selling. The dominant roles of middlemen in marketing have also brought more pressure for the farmers in the subject of commodity production and price. Therefore, fresh water aquaculture commodity supply chain in Mayang Village is not efficiently working, and the one who bear the losses are the farmers.

Meanwhile, fresh water aquaculture farmers in Nagrog Village have already utilizing business groups' role and further applying e-marketing by benefiting social media. However, the farmers are still unable to meet the high customers' demands because of limited production capacity. This level of production occurs because of cultivation land limitation, and not because the farmers are inability to market their commodity.

The Role of Business Group in Aquaculture Marketing

In Mayang Village, the activities in input market, which are seed and feed procurements, are conducted individually. The input supplies are bought from suppliers outside of the village with a price that relatively unstable. However, the escalation is not corresponding with the price of aquaculture commodity produced by the farmers and it can bring losses for the farmers. The farmers are helpless in stabilizing the feed input price because they are supplied only by limited sources that form an oligopoly market. Similarly, for fish seed supply, the farmers are also dependent on several suppliers located outside of the village.

The individually conducted procurement creates a relatively high input resources procurement cost. Meanwhile, output marketing activities in Mayang Village are dominantly involving the role of middlemen. Commodity distribution and marketing aspects in the business after the harvesting process

are controlled by the middlemen. These events make it hard for the farmers to have some insight about market situation and have produced asymmetrical information. Based on the described finding, researchers assess that there is a significant need of an aquaculture business group in Mayang Village to create a better business situation for the farmers in every aspect, especially marketing, to be able to minimize the middlemen dominant role in the market chain, and to bring more interest for the farmers' community.

Different from Mayang Village, the existence of business group in Nagrog Village has been accelerating the farmers' businesses development. Procurement from input market has been made easier and more effective by the assistance of the business group, with the application of bulk-buying that can produce a feasible procurement price. In marketing aspect, the role of business group has covered every gap that is being abused by the middlemen for profit-gaining, as found in Mayang Village. Business group handles demand making and provision process, as well as pricing and market handling, and creates a better procurement system. The success of fresh water aquaculture business in Nagrog Village, mostly happen due to the existence of a business group that are able to significantly play its role to handle every farmers' needs especially in the marketing aspect.

CONCLUSION

Business groups have been formed in Nagrog Village; meanwhile in Mayang Village business group is yet to be formed. Business groups' existence in Nagrog Village has improved the success of fresh water aquaculture business farmers. Farmers that are yet to form a business group face weaknesses in bargaining power.

Commodity marketing weakness is one of the most frequently faced problems by the fresh water aquaculture business farmers. The marketing weakness is caused by an inefficient market chain, which is produced by the unorganized farmers' business activities. Compared to Mayang Village, aquaculture commodity marketing is more successful in Nagrog Village.

Through business groups, problems faced by individuals whether internally in their business or externally that are connected to market are easier to be solved. The existence of business group provides a significant role in aquaculture commodity marketing.

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